

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW HAMPSHIRE**

-----	X	
SECURITIES AND EXCHANGE	:	
COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
-against-	:	Civil Action No. 1:21-cv-00260-PB
	:	
LBRY, INC.,	:	
	:	
Defendant.	:	
-----	X	

DECLARATION OF JEREMY KAUFFMAN

I, Jeremy Kauffman, declare as follows:

I. LBRY's Posts and Messages

1. LBRY frequently publishes posts on its website, the LBRY applications and its various social media accounts promoting and educating people on the LBRY Network. In addition, LBRY routinely sends blast emails to its subscriber base, which currently includes over 2 million recipients.

2. Since the company's inception, LBRY has published (i) a total of 655 posts on its website and on LBRY's applications; (ii) 1,101 posts on Facebook; (iii) 8,805 tweets on its Twitter account; (iv) 3,075 posts and comments on Reddit; and (v) over 300 mass email blasts to its subscribers.

II. On-Network Transactions and Secondary Market Trading Data

3. Numerous third-party websites aggregate trading volumes of digital assets across various secondary exchanges. CoinMarketCap is one such third-party website. The Commission relies on data from CoinMarketCap in its Summary Judgment Motion regarding the volume of

LBC bought and sold on secondary trading platforms for particular dates in time. *See* SEC MOL at 9; SEC Exs. 66, 67.

4. The data reported by CoinMarketCap is notoriously understood in the Blockchain industry to be inaccurate and unreliable.

5. For example, among other things, CoinMarketCap has been known to include in its data trading volumes relating to fake and/or non-economic wash trading. This causes the volumes reported by CoinMarketCap to be inflated and thereby misrepresents the true size and nature of the digital currency market.

6. Secondary exchanges are incentivized to report inflated data to third-party aggregating services like CoinMarketCap because exchanges that report larger volumes of trading can attract listing fees (often in the millions of dollars) from ICOs and alt coins.

7. The inaccuracy of CoinMarketCap's data has been reported by a variety of sources and, in fact, has been presented to the Commission in a report that the agency subsequently released to the public.

8. That report, a true and correct copy of which is attached hereto as Exhibit A, provides that, "[d]espite [CoinMarketCap's] widespread use, the CoinMarketCap.com data is wrong." Ex. A at 23. The data inaccuracy is due to the fact that it "includes a large amount of fake and/or non-economic trading volume, thereby giving a fundamentally mistaken impression of the true size and nature of the bitcoin market." *Id.* Indeed, the report goes on to demonstrate that "approximately 95% of this volume is fake and/or non-economic in nature." *Id.*

9. The inaccuracy of CoinMarketCap's data has also been reported by a variety of news sources. For example, Exhibit B is a true and correct copy of a 2019 article published by Forbes, entitled "*Has Top Cryptocurrency Website CoinMarketCap Completely Given Up on Data*

Accuracy?” The article notes that “[o]f the top 25 of the 260 exchanges listed on [CoinMarketCap], more than 75% have been suspected of reporting fake volume.” *Id.* at 2. Indeed, as reported by Forbes, CoinMarketCap’s own CEO acknowledged that fake trading volume “is an important issue” that the company is trying to solve. *Id.* at 3. And the article explains that “[f]abricating fake volume has become a full-blown business,” citing a CoinDesk article featuring an individual who “specializes in making lesser-known tokens appear to be actively trading.” *Id.* at 5. According to the Forbes article, notwithstanding CoinMarketCap’s acknowledgement that its site had been reporting fake volume, it has done “very little to fix the problem.” *Id.* at 3.

10. Similarly, an article published by Bitcoinist.com, entitled “*Will CoinMarketCap Ever Provide Accurate Crypto Data*,” a true and correct copy of which is attached hereto as Exhibit C, notes that CoinMarketCap was still listing exchanges known for volume manipulation and wash trading as of the date of the article. *Id.* at 2. And, although CoinMarketCap added a new column for “adjusted volume” on its ranking page in an attempt to mitigate the problem, the data reported in that column “is nearly the same as ‘reported volume’ which exchanges provide.” *Id.* at 4.

11. Notably, many of the exchanges reported to be providing inflated or fake trading data continue to be included on the CoinMarketCap website as of today. *See* Exs. A, D (Investigation into the Legitimacy of Reported Cryptocurrency Exchange Volume) at 12-17; E (true and correct copy of a printout from CoinMarketCap.com dated June 17, 2022).

12. Messari.io is another third-party website that aggregates exchange trading data. As Forbes reported in the article attached as Exhibit B, Messari.io quickly responded to reports of inflated trading volume in 2019, introducing a “Real 10” volume metric that is calculated from ten heavily vetted exchanges. *See* Ex. B at 4. This change resulted in a significant difference between

the total volume reported by CoinMarketCap of \$21.4 billion and the total volume reported by Messari.io of \$1.4 billion. *Id.*

13. Similarly, the trading volume for LBC reported by Messari.io differs substantially from the CoinMarketCap data for the two cherry-picked dates cited by the Commission in its Summary Judgment Motion. Specifically, while the CoinMarketCap data cited by the Commission indicates that \$289,404 worth of LBC traded on secondary exchanges on December 31, 2019, *see* SEC Ex. 66, Messari.io reports that only \$0.15 million (i.e., \$150,000) of LBC traded on that same date—nearly 50% of the volume reported by CoinMarketCap. Exhibit F (true and correct copy of a printout dated June 17, 2022 from Messari.io listing historical LBC trading data for December 31, 2019). With respect to the December 31, 2020 date, the CoinMarketCap data cited by the Commission indicates that \$79,023,817 worth of LBC traded on secondary exchanges on that date. *See* SEC Ex. 67. Messari.io, on the other hand, reports that only \$2.99 million worth of LBC traded on that same date—a difference of over 2,500%. Exhibit G (true and correct copy of a printout dated June 17, 2022 from Messari.io listing historical LBC trading data for December 31, 2020).

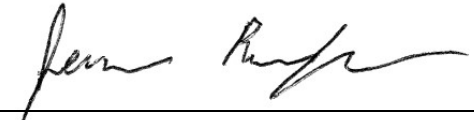
14. With respect to on-Network transactions, the Commission relies on data extracted from LBRYnomics, which is a third-party website unaffiliated with or controlled by LBRY.

15. According to the LBRYnomics data cited by the Commission, on December 31, 2019, approximately “470,000 LBC were recorded on the LBRY Blockchain as having been used that day for either claims, supports/tips, or payments.” SEC MOL at 9; SEC Ex. 99.

16. According to LBRY’s own data, however, the total amount of LBC transacted on the Network for the same date is over 5 million.

I declare under the penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on this 17th day of June, 2022.



Jeremy Kauffman